

Message Text

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15

ACTION OPIC-12

INFO OCT-01 NEA-14 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 TRSE-00 XMB-07 SP-03 CIEP-03

LAB-06 SIL-01 OMB-01 L-03 IGA-02 /098 W

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R 220438Z AUG 74

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 8316

INFO AMEMBASSY ISLAMABAD

UNCLAS KARACHI 1733

E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: GOP TREATMENT OF POSSIBLE OPIC ADMINISTERED
LOCAL CURRENCY LOANS

REF: A) STATE 124972 B) ISLAMABAD 6233

C) ISLAMABAD 6724

1. SUMMARY: GOP AGENCIES IN KARACHI HAVE PROVIDED
ADDITIONAL INFORMATION REGARDING TREATMENT OF POTENTIAL
OPIC LOCAL CURRENCY LOANS, DETAILS OF WHICH CONTAINED
HEREIN. END SUMMARY.

2. IN ACCORDANCE INSTRUCTIONS CONTAINED PARA 2 REF C,
CONGENOFF CONTACTED HEAD OFFICES OF STATE BANK OF PAKISTAN
AND DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES,
MINISTRY OF INDUSTRIES (DIPS), WHICH ARE LOCATED IN
KARACHI.

3. TO QUESTION "WHAT ASSURANCES CAN BE PROVIDED, AND BY
WHOM, FOR AVAILABILITY OF FOREIGN EXCHANGE TO RE-PAY LOANS"?
(REF AN PARA 2B), DIPS PROVIDED THE FOLLOWING RESPONSE:
"FOREIGN PRIVATE LOANS AS PART OF THE PROJECT COST OF
PRIVATE INVESTMENT IN PAKISTAN ARE CONSIDERED AND DECIDED
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ON CASE TO CASE BASIS. ONCE THE TERMS AND CONDITIONS OF

SUCH LOANS INCLUDING THOSE FOR REPAYMENT ARE APPROVED BY THE GOVERNMENT, THE GOVERNMENT WOULD NATURALLY ALLOW REPAYMENT THEREOF IN FOREIGN EXCHANGE. STATE BANK COULD PROVIDE ASSURANCE FOR FOREIGN EXCHANGE LOAN. HOWEVER, KEEPING IN VIEW THE INCREASING DEBT SERVICE BURDEN, FOREIGN PRIVATE LOANS FOR INDUSTRIAL PROJECTS OUTSIDE THE CREDITS PLACED AT THE DISPOSAL OF THE TWO FINANCING INSTITUTIONS VIZ. PICIC AND IDBP ARE NOT ENCOURAGED UNLESS THE PERIOD OF REPAYMENT AND THE INTEREST RATES ARE PARTICULARLY FAVORABLE."

4. IN RESPONSE TO QUESTION: "WHAT GOP APPROVALS, REGISTERING OF NON-OBJECTIONS ARE REQUIRED FOR SUCH LOANS?"

(REF A, PARA 2C), DIPS RESPONDED AS FOLLOWS:

"FOREIGN LOANS AS PART OF INVESTMENT IN A PRIVATE SECTOR INDUSTRIAL PROJECT (NEW, EXPANSION OR BALANCING AND MODERNIZATION) REQUIRE GOVERNMENT APPROVAL AND FOR THIS APPLICATION ON THE PRESCRIBED I.P.I. APPLICATION FORM (40 COPIES) GIVING DETAILS OF THE PROJECT/PROPOSAL AND COPIES OF PROPOSED LOAN AGREEMENT HAVE TO BE SENT TO THIS DEPARTMENT. THESE ARE CONSIDERED BY THE CENTRAL INVESTMENT PROMOTION AND COORDINATION COMMITTEE AND MINISTRY OF FINANCE AND THE STATE BANK OF PAKISTAN FOR APPROVAL, WHICH IS ISSUED BY THIS DEPARTMENT."

5. IN RESPONSE TO QUESTION "IF DEBENTURES WERE SOLD BY OPIC TO LOCAL PAKISTANIS, WOULD THE PROCEEDS BE FREELY CONVERTIBLE INTO DOLLARS?" (REF A, PARA 2E), STATE BANK OF PAKISTAN REPLIED AS FOLLOWS: "THE SETTING UP OF PROJECTS IN PAKISTAN INVOLVING FOREIGN EQUITY/FOREIGN CURRENCY LOAN REQUIRE THE APPROVAL OF THE DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES, GOVERNMENT OF PAKISTAN, KARACHI. THE SPONSORS OF THE PROJECT ARE REQUIRED TO STATE THE MODE OF FINANCING AND IN CASE OF FOREIGN CURRENCY LOAN, ALSO THE SOURCE AND TERMS OF SUCH LOAN. SALE PROCEEDS OF DEBENTURES WOULD QUALIFY FOR REMITTANCE IF THE DEBENTURES CARRY THE REPATRIATION GUARANTEE BY THE GOVERNMENT."

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Message Attributes

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Disposition Remarks:
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Enclosure: n/a
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